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MARKET ADMINISTRATOR

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Significant Trends In Milk Prices In Federal Order Markets

The Dairy Situation, Economic Research Service, USDA, August 1962

In the quarter of a century that Federal milk marketing orders have been in operation there have been 3 distinct periods in terms of economic conditions under which the orders have operated.

I. During the 1930's the objective was to raise milk prices from their depression levels.

II. During the World War II period, shortages and price controls dominated the milk marketing scene.

III. In the postwar period, attention has been focused on the need for price levels which would give a longer term balance between supply and demand in the milk marketing areas.

An important problem in the postwar period, has been that many milk markets of the country have been supplied with excess quantities of milk compared with demand for fluid milk, except for the period 1947-48 and late 1950 through most of 1952. In the years since 1952 particularly, the Federal milk-marketing mechanism has had a thorough test of its adaptability to dynamic changes resulting from technological developments in the producing, processing, and distribution of milk.

The need for flexibility in Federal milk pricing systems is emphasized by the fact that during the period these marketing devices have been

in operation, the price of all milk sold at wholesale by farmers in the United States has fluctuated from less than \$2.00 per hundred pounds in the thirties to over \$5.00 in some months of 1952. In 1961 it averaged \$4.22. The period of lowest prices in the post war period was in late 1949 and early 1950. Then milk prices rose to a peak in 1952 and dropped again in 1953 and 1954. The index of Class I prices established by Federal milk marketing orders in 1960 was 2 percent higher than the 1953-54 average.

In the past decade the number of producers delivering milk to a particular market has been decreasing and the daily average production per farm has been increasing. To increase efficiency in handling milk, distributors as well as producers have invested in new and costly equipment, generally of greater capacity than the equipment it replaced. This investment has prompted expansion of sales areas to make full use of the new equipment. Wider sales areas are possible today with modern refrigeration, new type packages, and better transportation equipment. The new super highways which connect various cities have facilitated this expansion. Wider sales have resulted in expanded Federal order mar-

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Changes in Cow Numbers Varies Considerably in US

The Dairy Situation, Economic Research Service
USDA, August 1962

In the New England States, the price of all wholesale milk dipped from \$5.16 per hundred pounds in March to \$4.46 in June. During these months in the Middle Atlantic States, the price dropped from \$4.47 to \$3.90. Pastures improved far less than normally during early spring, and in May, June, and July, because of lack of rain, pasture conditions deteriorated, particularly in New York, Pennsylvania, and New Jersey. However, milk cow numbers held surprisingly steady, falling 1 to 2 percent from June 1, 1961, to June 1, 1962, in most States, remaining unchanged in Vermont and New Hampshire, and rising very slightly in New York. The largest decline, 9,000 head, occurred in Pennsylvania, but Rhode Island, with fewer cows, had the heaviest percentage fall, 7 percent.

In the East North Central region, Ohio had pasture conditions similar to those in New York and Pennsylvania, and June milk cow numbers in that State fell to 3.0 percent below a year earlier compared with 0.1 percent for the rest of the area, which had excellent pasture.

The West North Central area also had good pasture conditions this spring and summer. Milk cow num-

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Columbus

MARKET FACTS FOR EASY REFERENCE

PRICE SUMMARY

Producers' Uniform Price (3.5%)	\$4.50
Producers' Uniform Price (4%)	4.86
Class I (3.5%)	4.27
Class II (3.5%)	3.872
Class III (3.5%)	3.637
Class IV (3.5%)	3.011
Producer Butterfat Differential for each one-tenth percent	7.2¢

UTILIZATION SUMMARY

Percent of Producer Milk in Class I	79.3
Percent of Producer Butterfat in Class I	75.5
Percent of Producer Milk in Class II	7.1
Percent of Producer Butterfat in Class II	2.1
Percent of Producer Milk in Class III	3.2
Percent of Producer Butterfat in Class III	4.3
Percent of Producer Milk in Class IV	10.4
Percent of Producer Butterfat in Class IV	18.1

PRODUCTION SUMMARY

Total Pounds of Producer Milk Delivered	35,113,477
Average Daily Class I Producer Milk	898,502
Total Number of Producers	1,330
Average Daily Production per Producer	852
Average Butterfat Test	3.74
Total Value of Producers Milk at Test	\$1,490,186.72
Income per Producer (7 day average)	\$253.00

GROSS CLASS USE (Pounds)

Class I Skim	26,863,963
Class I Butterfat	989,586
Class I Milk	27,853,549
Class II Skim	2,487,394
Class II Butterfat	28,135
Class II Milk	2,515,529

AVERAGE DAILY SALES (Quarts)

Milk	312,673
Buttermilk	4,591
Chocolate	18,950
Skim	11,589
Cream	8,245

Oct. 1962	Sept. 1962	Oct. 1961
\$4.50	\$4.61	\$4.79
4.86	4.985	5.17
4.27	4.43	4.503
3.872	4.028	4.103
3.637	3.695	3.881
3.011	3.022	3.255
7.2¢	7.5¢	7.6¢
79.3	83.4	82.8
75.5	82.8	79.9
7.1	7.5	7.1
2.1	2.1	2.4
3.2	3.1	2.8
4.3	4.6	4.1
10.4	6.0	7.3
18.1	10.5	13.6
35,113,477	31,068,029	29,631,204
898,502	863,411	791,214
1,330	1,350	1,234
852	767	775
3.74	3.65	3.76
\$1,490,186.72	\$1,362,850.05	\$1,346,447.24
\$253.00	\$235.55	\$246.38
26,863,963	24,965,367	23,646,185
989,586	936,952	888,981
27,853,549	24,902,319	24,535,166
2,487,394	2,367,705	2,213,555
28,135	24,089	26,924
2,515,529	2,391,794	2,240,479
312,673	292,074	304,519
4,591	4,589	4,759
18,950	16,822	18,934
11,589	10,658	9,388
8,245	8,390	8,669

COMPARATIVE STATISTICS



COLUMBUS MARKETING AREA



OCT. 1953 - 62

Year	Receipts from Producers	Average Butterfat Test	Percentage of Producer Milk in Each Class				Uniform Producer Price (3.5%)	Class prices at 3.5%				Number of Producers	Daily Average Production
			Class I	Class II	Class III	Class IV		Class I	Class II	Class III	Class IV		
1953.....	20,252,601	4.04	83.5	13.5	3.0	—	4.78	4.862	4.462	3.562	—	2,234	292
1954.....	21,943,122	3.96	81.8	8.1	6.1	4.0	4.42	4.558	4.158	4.158	3.222	2,186	324
1955.....	23,391,897	3.90	80.6	8.0	7.3	4.1	4.40	4.516	4.116	4.116	3.18	2,091	361
1956.....	23,321,443	3.81	82.7	8.6	4.7	4.0	4.47	4.607	4.207	4.207	3.271	2,020	388
1957.....	25,608,115	3.79	82.3	6.9	4.6	6.2	4.34	4.519	4.119	4.019	3.096	1,887	438
1958.....	24,738,205	3.77	85.7	8.3	1.7	4.3	4.30	4.420	4.020	3.920	2.894	1,746	457
1959.....	26,207,693	3.86	92.0	5.9	1.0	1.1	5.11	4.697	4.297	3.865	3.116	1,727	490
1960.....	27,938,777	3.80	86.1	7.9	1.6	4.4	4.84	4.502	4.102	3.913	3.100	1,588	568
1961.....	29,631,204	3.76	82.8	7.1	2.8	7.3	4.79	4.503	4.103	3.881	3.255	1,234	775
1962	35,113,477	3.74	79.3	7.1	3.2	10.4	4.50	4.27	3.872	3.637	3.011	1,330	852

National School Lunch Program Expansion Seen

"The amendment to the National School Lunch Act approved by President Kennedy marks a significant milestone in school lunch progress," Secretary of Agriculture Orville L. Freeman stated.

Noting that the amendment is the first major change in the Act since its passage in 1946, Secretary Freeman said it is "the basic framework for building an even stronger lunch program for the future by making it possible for more of the Nation's children to share in the nutritional benefits of this Federal-State-local activity." The Secretary added that the legislation incorporates recommendations made by the President in his Farm Message to the Congress in March 1961, and "is another in our series of actions to use the abundance of our farms for the health and well-being of all our citizens."

The legislation signed by the President changes the method of dividing Federal school lunch cash assistance among the States and Territories. The Federal grants are used to help schools buy food locally, and will now be apportioned among the States on the basis of actual participation in the program and relative need, as measured by State per-capita income. In the original School Lunch Act of 1946, total school-age population and relative need controlled the apportionment. A 3-year transition period from the old to the new formula is provided.

The new Act also extends the National School Lunch Program to American Samoa. In addition to the 50 States, the District of Columbia, Puerto Rico, the Virgin Islands, and Guam are now participating.

The amended Act further authorizes appropriations to provide additional assistance to schools that draw their attendances from areas of poor economic conditions and which have a high proportion of children whose lunches must be served free or at substantially reduced prices to needy children.

The Secretary pointed out that the original formula relating the amount of funds to school-age population was intended as a measure of the potential maximum size of the program.

USDA officials explained that the program has grown faster in some States than in others over the past 16 years. Since in actual practice the States reimburse schools on the basis of the number of lunches served, it has become increasingly evident that a State with below-average participation could reimburse its schools with higher average per-meal payments than a similar-income State in which participation was above average, they said. This amendment, it was added, will help place the Federal Government's contribution to each child's lunch on a more equitable basis, while maintaining the factor measuring relative need among the States.

Federal assistance to the school lunch program included donated foods as well as funds. Together, this help accounts for slightly more than 20 percent of the cost of the program for the approximately 15 million children served lunches in the 65,000 participating schools. Children's payments make up some 60 percent of the total, and State and local sources provide the remaining 20.

Commenting on the overall impact of the revised legislation, Secretary Freeman said, "These changes in the National School Lunch Act have been carefully worked out by the executive and legislative branches of the Federal Government with the close cooperation and assistance of State Departments of Education which administer the program in the States. They represent a sound basis on which the States may plan the future development of the program."

MILK COW NUMBERS SHOW SLIGHT DECLINE

The Dairy Situation, Economic Research Service
USDA, August 1962

Milk cow numbers in June were 17,270,000, down 0.7 percent from a year earlier. Average milk cow numbers in 1962 probably will be about 17.2 million. This is a continuation of the slow rate of decline in numbers of the last few years.

* * * *

One farm worker produced food, fiber, and other farm commodities for himself and 26 others.

SIGNIFICANT TRENDS IN MILK PRICES

(Continued from Front Page)

kets and, in some cases, the consolidation of two orders into a single order.

Another dynamic aspect of fluid milk marketing has been the impact of farm bulk tanks. In the 1950's the pre-eminence of farm bulk tank delivery began to emerge. Today numerous fluid markets receive only bulk tank milk, many others are rapidly approaching full conversion, and still others are near the point where receipt of can-delivered milk will no longer be economically practicable. As a result of the rapid conversion to bulk tanks, milk receiving stations are no longer a vital factor in milk marketing. Milk may be moved directly from the farm to a bottling plant; when not needed for fluid purposes, it may be diverted to a manufacturing plant. Just as bulk tanks have facilitated the movement of farm delivered milk to its local urban market, so too they have facilitated its movement to other, more distant markets.

These two factors — growing expansion of distribution areas of individual plants and the increasing mobility of farm delivered milk — have necessitated close alignment of Federal order prices.

CHANGES IN COW NUMBERS . . .

(Continued from Front Page)

bers increased 1 to 2 percent in Minnesota, Missouri, and North Dakota over last year, but declined nearly 5 percent in Nebraska and 4 percent in Kansas compared with a year earlier. Cow numbers in Wisconsin were unchanged from a year earlier.

Pasture conditions in the South Atlantic and South Central States were poor in early summer. Cow numbers in the South Atlantic region fell 2.6 percent below a year earlier on June 1 and were 23 percent below 1952. Among the South Central States, cow numbers in Tennessee increased for the second year,

after declining from 657,000 in 1954 to 486,000 in 1960. In other South Central States milk cow numbers continued their long-term decline. Culling of dairy herds was particularly severe in Mississippi and Texas compared with the rest of the area.

In the Western States, milk cow numbers continued to drop, but fell only 1.0 percent compared with 1.2 percent and 1.5 percent in the last 2 years. In this area milk prices were about the same as last year, and as a consequence milk-feed price ratios fell less than in other regions. Conditions in the area in general were conducive to maintenance of dairy production at about previous levels.

Market Quotations

OCTOBER
1962

MINNESOTA - WISCONSIN PRICE SERIES	\$3.07
MIDWEST CONDENSERIES 3.5% per Cwt.	2.956
4 CONDENSERIES (Tri-State) 3.5% per Cwt.	2.770
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Columbus).....	3.061
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Tri-Sate)	2.960
Average Weekly Cheddars price per lb.3400
Average price per lb. 92-score butter at Chicago5796
Average carlot prices non-fat dry milk solids, roller and spray process, f.o.b. manufacturing plant.....	.1344

THE

Market Administrator's BULLETIN

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